



New Markets Venture Capital (NMVC) Program Legislative Proposal Summary

The New Markets Venture Capital (NMVC) program will help spur economic development in some of America's under-invested communities through a public-private partnership encouraging venture capital investment and intensive technical assistance for small businesses in Low- and Moderate-Income (LMI) areas. This program will infuse much needed equity investments to geographies that traditionally have been overlooked.

NMVCs will be newly formed for-profit venture capital companies that have:

- Demonstrated management expertise in community development venture capital,
- Raised a minimum of \$5 million in private capital,
- Obtained commitments for technical assistance resources equal to 30% of the raised capital, to be used over a 5 to 10 year period,
- Developed an operational structure focusing investment activities in LMI areas, and
- Entered into a contractual agreement with the U.S. Small Business Administration (SBA) to uphold the public policy objectives of the program.

SBA will provide financial assistance by guaranteeing debentures issued by the NMVC company. The cash generated from those debentures will approximately equal the company's own capital. These debentures will have deferred interest for the first 5 years of their term. This type of patient funding will allow an NMVC to nurture the development of a small business for long-term success and optimum return on investment. SBA will also provide grants matching the NMVC company's technical assistance resources, to be used over a 5 to 10 year period. By providing specialized technical assistance at the investor level, the NMVCs will further ensure the success of small businesses capable of providing new jobs and creating wealth within their communities.

Program Level

The NMVC program will require \$21.66 million in credit subsidy to achieve a program level of \$150 million in debenture leverage, assuming a 14.44% subsidy rate (based on Treasury discount rates). Additionally, the program will require approximately \$30 million for matching technical assistance grants to be obligated up-front and disbursed to NMVC companies over a multi-year period (5 to 10 years). The 1999 Consolidated Appropriations Act appropriated \$15 Million in FY 2000 funding for the NMVC program subject to authorization.

Oversight

SBA will oversee NMVC investment activities much in the same way it does the investment activities of its Small Business Investment Companies (SBICs), on which the NMVC program is modeled. SBA analysts will conduct on-site examinations of NMVC companies and monitor the economic impact of their investments.